

SP still rates Macomb AAA

Should keep down interest paid on bonds despite Moody's lower rating

Jamie Cook - Macomb Daily Reporter – 08-17-2011

Macomb County's AAA bond rating provides a slice of good news for Macomb County residents and officials during a tough economic climate.

County Executive Mark Hackel announced Tuesday that Standard & Poor's, a leading Wall Street bond rating agency, has affirmed Macomb County's AAA bond rating and given the county a "stable outlook."

"I am very pleased with our rating," Hackel said. "We are going against the grain considering the downward trend for other government entities in our region and across the country."

County Finance Director Peter Provenzano, who started in March after Hackel took office in January, said he was pleased with the positive feedback in "our first report card."

"We've been doing the right things," he said. David Sowerby, an economist and portfolio manager at Loomis Sayles & Co., which has an office in Bloomfield Hills, said the rating reflects well on the county's financial management.

"Maintaining an AAA rating in a market of increased economic uncertainty is a thumbs up for the fiscal responsibility of Macomb County," said Sowerby, a St. Clair Shores native.

The rating, which is used to determine interest rates for government-issued bonds, comes on the heels of the S&P dropping the federal government's rating from AAA to AA+ on Aug. 6, triggering a stock market frenzy.

It also comes when many governmental units' bond ratings are being downgraded. In July, S&P identified 66 U.S. cities that were being reviewed for a possible credit downgrade from AAA, although Macomb was not among them.

Macomb is one of only three counties in Michigan and 67 nationwide to have the AAA rating by S&P, one of three (two major) national ratings agencies. The county lost its top rating from Moody's Investors Service in December 2009 when it was downgraded from AAA to Aa1 for Macomb's \$100 million portion of a joint sewer project with Oakland County.

Macomb currently has a "split rating," said Rich Wiggins, a Harrison Township financial consultant, and investors may consider both ratings when buying bonds.

Provenzano said he doesn't expect that Moody's lower rating will affect Macomb's interest rate.

"We'll just list it with S&P's rating," said Provenzano, who added he plans to request that Moody's reconsider.

“Once we get through our budget process, we will contact Moody’s and see if we can get that rating back,” he said. “It’s more of a pride thing.”

Macomb already had a Aaa rating from s&p, but the agency hadn’t reviewed it in some time so wanted another look due to the Public Works Department’s upcoming \$30 million Clintondale Pump Station improvement project in Clinton Township.

S&P analysts interviewed members of the county’s Finance and Public Works departments in a recent conference call.

Although the county currently is operating in a \$9 million budget deficit for fiscal year 2011, which mirrors the calendar year, it should end the year with a fund balance of at least \$41 million, Provenzano said.

Officials are working to reduce the deficit for this year and 2012, he said.

Hackel praised Public Works Commissioner Anthony Marrocco and Treasurer Ted Wahby for their financial leadership and consistent management.

The following summarizes S&P’s rationale for assigning Macomb County the highest possible rating:

Deep economic base and participation in the Detroit metropolitan area, though challenged by the current economic downturn and job losses;

Maintenance of very strong general fund reserve levels, despite challenges posed by this current revenue climate;

Strong management practices;

Additional liquidity found in the delinquent tax revolving fund, and;

Moderate debt burden at \$3,336 per capita and 5.2 percent of market value, with limited future capital needs.

Hackel said S&P also supported the county’s new two year budget cycle that is being implemented this year, noting that it will allow Macomb “to anticipate the short-term effects of financial decisions” as well as Wahby’s investment policy that generates quarterly reports on investment holdings and performance.

Michael Pohlod, a retired certified municipal finance administrator and former coordinator of tax collections for Macomb County, said he was pleased to learn of the rating.

“There are benefits for the taxpayers, no doubt about it,” said the Washington Township resident and former Fraser city clerk. “They’ve been trying to reduce the deficit. Macomb County has been diligent. That’s important.

“Just because they’re drawing down (on the reserve funds) doesn’t mean they’re being fiscally irresponsible.”